

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF ASHLAND)	CASE NO.
EXPLORATION, INC.)	91-396

O R D E R

IT IS ORDERED that Ashland Exploration, Inc. ("Ashland") shall file the original and 12 copies of the following information with the Commission with a copy to all parties of record no later than September 11, 1992. Ashland shall furnish with each response the name of the witness who will be available at any public hearing, if necessary, for responding to questions concerning each item of information requested.

The following questions relate to the prefiled testimony of Mark D. Pierce filed August 14, 1992.

1. In response to Item 7, Mr. Pierce states that prices charged to KRS 278.485 customers are regulated by the Federal Energy Regulatory Commission ("FERC") since "the natural gas streams from which service is effected are dedicated to interstate commerce."

a. Isn't it correct that in 1981 Ashland sought and received authority from the FERC to abandon certain volumes of gas from those "natural gas streams...dedicated to interstate commerce" for the expressed purpose of serving Ashland's existing KRS 278.485 customers?

b. Is it Ashland's position that the KRS 278.485 service and price for such service to which these "abandoned volumes" were directed is subject to FERC regulation and not this Commission? If yes, explain.

c. Is it Ashland's position that any direct, end-use sale it currently makes in Kentucky, including the price for such service, is subject to the FERC's regulation and not this Commission? If yes, explain.

2. In response to Item 9, Mr. Pierce states that Ashland's rate is based upon a weighted average maximum lawful price, a methodology previously approved by the FERC.

a. Is the "maximum lawful price" to which Mr. Pierce refers the NGPA maximum lawful prices to which Ashland's various sources of gas have been subject?

b. If yes, doesn't Section 602 of the NGPA provide that a state may establish or enforce maximum lawful prices lower than those under NGPA for first sales of gas produced in that state?

c. Hasn't the FERC declared Ashland's gas to be "first sales" gas, including the gas which is used to service its KRS 278.485 customers?

d. Given the language in Section 602 of the NGPA, the fact that the FERC has declared Ashland's sales to KRS 278.485 customers as "first sales," and Mr. Pierce's statement that Ashland's prices to its KRS 278.485 customers are based upon a weighted average of maximum lawful prices, how can the conclusion

be reached that Ashland's prices charged to its KRS 278.485 customers are regulated by the FERC?

3. Regarding Mr. Pierce's answer to Item 13, he states that Ashland's proposed rate is comparable to "rates charged by other companies for domestic service," such companies as listed in exhibit 1 of his testimony.

a. Aren't each of the companies in Exhibit 1 a distribution utility?

b. Is it Mr. Pierce's opinion that the type, quality, and responsibilities for service provided by Ashland are equivalent to gas service rendered by a gas distribution utility?

c. Doesn't KRS 278.485 allow Ashland to shut-in a well or abandon a gathering pipeline at any time, in which case customers who receive service from that well or pipeline lose their service; and, therefore, making KRS 278.485 service less comparable to gas service provided by a gas distribution utility?

d. How does Ashland's proposed rate compare to other companies in the area which provide KRS 278.485 service?

4. Mr. Pierce states in response to Item 17 that Ashland receives additional requests for service pursuant to KRS 278.485.

a. Since Ashland received authority from the FERC in 1981 to abandon certain gas volumes from interstate commerce to maintain service to its existing KRS 278.485 customers, how many additional customers have been connected (to the present time)?

b. Mr. Pierce states that the number in the future will be "nominal." Define nominal and what is this conclusion based upon?

c. What is Ashland's current policy regarding mere hook-ups pursuant to KRS 278.485?

d. Given this policy what was the basis or reason the additional hook-ups since 1981 occurred?

The following questions relate to issues raised in Mr. Pierce's testimony or to previous filings by Ashland in this proceeding.

5. How does Ashland's proposed rate compare to the prices it receives for gas it sells to the interstate market? To other wholesale customers? To other end-users not provided service pursuant to KRS 278.485?

6. Does Ashland sell gas to any local gas distribution companies? If yes, to whom and at what price?

7. Hypothetically speaking, if Ashland were not considered a "public utility" as defined in KRS 278.485(3)(b), and the filings required by this Commission to support an adjustment in rates to KRS 278.485 customers were minimal (less than the requirements of a gas distribution utility), would Ashland be willing to hook-up any customer who met the conditions of KRS 278.485?

8. What relationship do the existing maximum lawful prices have to the prices gas producers have been receiving in the wholesale (sales-for-resell) market during the past three to four years?

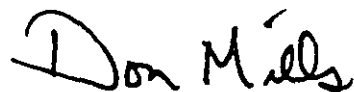
Done at Frankfort, Kentucky, this

28th day of August, 1992.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:



Executive Director